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October 8, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-A325
Washington, DC 20554

Re: **EX PARTE**
CC Docket No. 92-237/NSD File No. 98-151

Dear Ms. Salas:

On October 7, 1999, Jeffrey Ganek, Senior Vice President and Managing Director of the Lockheed Martin Communications Industry Services ("CIS") business; Jennifer A. Warren, of Lockheed Martin Corporation ("Lockheed Martin"); J. G. Harrington, representing Lockheed Martin; Philip L. Verveer, representing Warburg, Pincus & Co. ("Warburg Pincus"); and the undersigned, representing Lockheed Martin IMS Corporation, met with Linda Kinney, legal advisor to Commissioner Susan Ness; Sarah Whitesell, legal advisor to Commissioner Gloria Tristani; Kyle D. Dixon, legal advisor to Commissioner Michael Powell; and Rebecca Beynon, legal advisor to Commissioner Harold Furchtgott-Roth, to discuss the proposed transfer of the CIS business to NeuStar, Inc. The discussion focused on issues addressed in the pleadings filed by Lockheed Martin and Warburg Pincus in the above-referenced proceedings and in the attached outline, which was distributed at the meeting.

As indicated in an *ex parte* letter filed in these proceedings yesterday, October 7, 1999, the same parties met with Dorothy Attwood, legal advisor to Chairman Kennard, on October 6, 1999 and distributed the same outline. A copy of the outline was inadvertently omitted from yesterday's *ex parte* filing. We regret any inconvenience or confusion this may have caused.

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Pursuant to Section 1.1206(b)(2) of the Commission's Rules, an original and three copies of this letter and attachment are provided to the Secretary for inclusion in the records of the relevant proceedings.

Please direct any questions or concerns to the undersigned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cheryl A. Tritt", written over a horizontal line.

Cheryl A. Tritt
Counsel to Lockheed Martin IMS Corporation

Attachment

cc: Linda Kinney
Sarah Whitesell
Kyle D. Dixon
Rebecca Beynon
Dorothy Attwood

THE PROPOSED TRANSFER OF THE CIS BUSINESS IS IN THE PUBLIC INTEREST

I. BACKGROUND

- Under the original proposal filed in December 1998, Lockheed Martin's Communications Industry Services ("CIS") business, which acts as the North American Numbering Plan Administrator ("NANPA") and Local Number Portability Administrator ("LNPA"), was to be transferred to an entity largely owned by Warburg Pincus Equity Partners, L.P. ("WPEP"), under a strict Code of Conduct. The North American Numbering Council ("NANC"), which oversees the NANPA, supported the proposed transfer.
- In response to Commission concerns, the transaction was restructured to further ensure CIS' neutrality. An Amended Request was filed on August 16, 1999 and supplemented on August 26, 1999. The NANC found that "this new proposal is substantially better than the previous proposal that it found to be adequate" and that CIS would be "neutral."

II. EXPEDITIOUS APPROVAL IS VITAL TO THE TELECOMMUNICATIONS INDUSTRY

- In light of the NANPA's involvement in significant numbering issues, including state waivers, pooling administration issues and local number exhaustion, immediate review and approval is necessary to maintain continuity. As AT&T notes, "[a] lengthy review that introduces uncertainty ... would make [carriers'] long-range planning ... more difficult."
- All segments of the industry, including the LNP Limited Liability Companies ("LLCs"), and state regulatory representatives strongly support expeditious approval of the proposed transfer. Mitretek, the unsuccessful applicant for the role of NANPA, is the only dissenter.

III. THE RESTRUCTURED TRANSACTION ENSURES CIS' NEUTRALITY

- CIS will be owned by NeuStar, Inc., a free-standing, independent company controlled 59 % by an irrevocable, independent voting trust, 28.1 % by NeuStar management, 9.9 % by WPEP and 3 % by Lockheed Martin.
- The five member NeuStar Board will have no more than two Warburg Pincus representatives and will have at least two independent directors with no ties to Warburg Pincus, WPEP or NeuStar management. The current head of CIS, Jeffrey Ganek, will continue in that role as CEO and Chairman of the NeuStar Board.
- Dr. Kenneth A. Pickar, a physicist with a distinguished academic and business career, and Henry Geller, formerly general counsel of the FCC and head of NTIA, will be the initial independent directors.
- The beneficial owners of the NeuStar shares subject to the voting trust -- WPEP and NeuStar management -- will have no control over the voting of those shares as to the day-to-day operational or strategic business decisions of NeuStar. That authority will be vested in two independent trustees, who will have no ties to Warburg Pincus, WPEP or NeuStar management.

- A strict Code of Conduct prohibits any conflict of interests or sharing of employees or confidential data and requires quarterly neutrality reports to the FCC, the NANC and the LLCs.
- The transaction has been refined in response to concerns raised by the Commission and other parties to ensure confidence in CIS' neutrality.
 - The Parties adopted NANC's suggestions that the two independent directors and both trustees be independent of NeuStar management as well as of Warburg Pincus, that the terms of the directors be staggered and that the Code of Conduct be strengthened.
 - In response to commenters, the Trust Agreement will be modified to prohibit any increase in the number of trustees and to guarantee the trustees a specific level of compensation for the life of the trust.

IV. MITRETEK IS WRONG AS TO THE FACTS AND APPLICABLE LAW

- Mitretek is incorrect in arguing that the trustees and independent directors are not really independent of Warburg Pincus because they are chosen by a NeuStar Board that is dominated by Warburg Pincus and owe fiduciary duties to Warburg Pincus' other investments.
- The manner of selection of the trustees and independent directors does not undermine their neutrality.
 - Mitretek has no criticism of the initial independent directors. Any successor independent director will be nominated by the CEO/Chairman and the other independent director, thus giving the latter a veto, and must be approved by a majority of the voting shares, thereby lodging control over such approval in the independent voting trust.
 - Moreover, Board selection of the trustees is not tantamount to Warburg Pincus control of the trustees. Warburg Pincus did not select Mr. Ganek, who has headed CIS under Lockheed Martin's ownership and will continue in that role as CEO/Chairman of NeuStar. Any successor CEO/Chairman will be selected by a majority of the remaining Board members, thereby requiring the concurrence of at least one independent director.
- The directors' and trustees' fiduciary duties do not run solely to WPEP and, therefore, they cannot favor WPEP's interests. All directors will have a fiduciary duty to *all* of the shareholders to maintain NeuStar's independence, since failure to do so would jeopardize CIS' roles as NANPA and LNPA and thus the shareholders' investment in CIS. The trust will hold an interest only in NeuStar stock. The trustees thus will have a fiduciary responsibility solely to maintain the value of NeuStar, and will not owe such duties to any other WPEP investment.
- NeuStar accordingly will remain "impartial and not aligned with any particular telecommunications industry segment," as required by the NANPA neutrality rules. No holder of more than 9.9 % of the voting rights for NeuStar's equity will be a telecommunications service provider, or will hold more than 9.9 % of such a provider. For the same reasons, NeuStar will also remain "neutral and not subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities."